

**ANDREW PELLER LIMITED**

**ANDREW PELLER LIMITÉE**

**ANNUAL INFORMATION FORM**

**JUNE 23, 2010**

## **TABLE OF CONTENTS**

<u>ITEM #</u>	<u>ITEM</u>	<u>PAGE</u>
1	FORWARD-LOOKING INFORMATION	3
2	CORPORATE STRUCTURE	3
3	GENERAL DEVELOPMENT OF THE BUSINESS	4
4	NARRATIVE DESCRIPTION OF THE BUSINESS	5
5	DIVIDEND POLICY	13
6	DESCRIPTION OF CAPITAL STRUCTURE	13
7	MARKET FOR SECURITIES	13
8	DIRECTORS AND OFFICERS	14,15
9	TRANSFER AGENT AND REGISTRAR	15
10	INTEREST OF EXPERTS	15
11	REPORT OF THE AUDIT COMMITTEE	15
12	ADDITIONAL INFORMATION	16
13	SCHEDULE "A"	17

## FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form (“AIF”) may contain “forward-looking statements” within the meaning of applicable securities laws, including the “safe harbour” provisions of the *Securities Act* (Ontario) with respect to Andrew Peller Limited (“APL” or the “Company”) and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company’s acquisitions; its launch of new premium wines; sales trends in foreign markets; trends in capital expenditures and sales and marketing expenses of the Company; its investments in vineyards; its supply of domestically grown grapes; international grape surplus and price discounting; consumer demand; and current economic conditions. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe”, “plan”, “intend”, “estimate”, “expect” or “anticipate” and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would” and “could” and similar verbs often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this AIF, APL has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle and wine prices; the Company’s ability to obtain grapes, imported wine, glass and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of the Company’s intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising and labelling its products; the regulation of liquor distribution and retailing in Ontario; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the “Risk Factors” section and elsewhere in this AIF and other risks detailed from time to time in the publicly filed disclosure documents of APL which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from those conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The Company’s forward-looking statements are made only as of the date of this AIF, and except as required by applicable law, APL undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances or otherwise, or to explain material differences between actual events after the date of this AIF and such forward-looking statements.

All information contained in this document is given as at March 31, 2010 unless otherwise indicated.

## CORPORATE STRUCTURE

### Incorporation

Andrew Peller Limited was incorporated under the laws of Canada by Letters Patent dated the 7th day of April, 1965 and as amended from time to time by Supplementary Letters Patent. The Company was continued under a Certificate of Continuance dated the 30th day of October, 1978, pursuant to Sections 181 and 261 of the *Canada Business Corporations Act*. On June 30, 1994, the Company amalgamated with Hillebrand Estates Winery Limited under Section 185 of the *Canada Business Corporations Act*. On April 1, 2003 the Company amalgamated with Andrés Wines (B.C.) Ltd. and Andrés Wines Atlantic Ltd. under Section 185 of the *Canada Business Corporations Act*. On April 1, 2006, the Company amalgamated with its wholly-owned subsidiary, Cascadia Brands Inc. (“Cascadia”), and Cascadia’s wholly-owned subsidiaries Calona Wines Limited, 3126854 Canada Ltd. (formerly, International Potter Distilling Corporation) and 4309693 Canada Inc. (formerly, Arctica Distilling Corporation) under Section 185 of the *Canada Business Corporations Act* under the name Andrés Wines Ltd./Les Vins Andrés Ltée. On April 1, 2007, the Company amalgamated with its wholly-owned subsidiaries, 4384792 Canada Inc. (formerly, 1639199 Ontario Inc.), Grady Wine Marketing Inc., and Forbes Fraser Wines Ltd. under Section 185 of the *Canada Business Corporations Act*. On April 1, 2007, Winexpert Inc., 4384806 Canada Inc. (formerly, Wine Not Inc.) and Vineco International Products Ltd., amalgamated under Section 185 of the *Canada Business Corporations Act* to form 4384814 Canada Inc., a new wholly-owned subsidiary of the Company. On March 31, 2009, 4384814 Canada Inc. changed its name to Global Vintners Inc.

The Company operates under the name Andrew Peller Limited/Andrew Peller Limitée. The authorized capital of the Company consists of an unlimited number of Preference Shares, issuable in one or more series, of which 33,315 are designated as Preference Shares, Series A, an unlimited number of Class A shares (non-voting) and an unlimited number of Class B shares (voting). The Company’s head and registered office is located at 697 South Service Road, Grimsby, Ontario, L3M 4E8.

## Subsidiaries

The following are all of APL significant subsidiaries as of the fiscal year ended March 31, 2010, all of which are wholly owned by the Company.

<u>Company</u>	<u>Jurisdiction of Incorporation</u>
Global Vintners Inc.	Ontario
Camelot Cellars Ltd.	Ohio
Granville Island Brewing Company Ltd.	Canada
Mainland Beverage Distribution Ltd.	British Columbia
Canrim Packaging Ltd.	Canada
Sandhill Vineyards Ltd.	Canada
The Small Winemakers Collection Inc.	Ontario
Rocky Ridge Vineyards Inc.	British Columbia

Granville Island Brewing Company Ltd. (“GIB”) and Mainland Beverage Distribution Ltd. (“MD”) produce, distribute and market craft beer predominantly in British Columbia. GIB and MD were sold to Creemore Spring Brewery Ltd. on May 1, 2010.

## GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged in the production, bottling and marketing of wines in Canada. The Company imports bottled premium wines from around the world and markets them through Grady Wine Marketing (“GWM”) and The Small Winemakers Collection Inc. (“SWM”). Vineco International Products, Winexpert and Wine Kitz divisions of Global Vintners Inc. are producers of wine kits and related accessories for the home winemaking market.

Canada has joined other leading wine producing countries in the development of a body of regulations and standards for 100% Canadian content wines known as the Vintners Quality Alliance (“VQA”) system. The VQA system oversees the regulation of the premium wine industry in Canada and has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence.

Interest and participation in wine culture and wine life continued to grow in Canada and around the world over the past year. This growth is driven by an aging population favouring the more sophisticated experience that wine offers, as well as by the widely reported health benefits of moderate wine consumption.

These events have precipitated significant change in the Canadian wine industry. In order to succeed in this new environment, the Company has undertaken strategic growth initiatives to emerge as a leading participant in the Canadian wine market. Over the past three years, certain events have influenced the general development of APL’s business.

On April 1, 2006, the Company amalgamated with Cascadia, Calona Wines Limited, 3126854 Canada Ltd. (formerly, International Potter Distilling Corporation) and 4309693 Canada Inc. (formerly, Arctica Distilling Corporation).

On April 1, 2007, the Company amalgamated Winexpert Inc., Vineco International Products Ltd., and 4384806 Canada Inc., (formerly, Wine Not Inc.) to form 4383814 Canada Inc.

On June 13, 2008, the Company acquired 50% of the shares of Rocky Ridge Vineyards Inc. (“Rocky Ridge”) of Cawston, British Columbia for consideration of \$3.9 million, including acquisition costs. The Company previously owned 50% of the shares of Rocky Ridge and as a result of this transaction Rocky Ridge became a wholly-owned subsidiary of the Company.

On June 30, 2008, the Company acquired 100% of the common shares of World Vintners Inc. (“WVI”) a producer and seller of high quality consumer-made wine kits. The acquisition brings to the Company a dedicated network of 75 franchised wine-on-premise and retail outlets under the Wine Kitz brand name. WVI was acquired for consideration of \$9.6 million, including acquisition costs. The Company has achieved significant synergies in its wine kit operations as a result of this acquisition.

On October 8, 2008, the Company acquired 100% SWM for consideration of \$1.6 million. SWM is a premium wine importer and marketing agent for fine wines in the Province of Ontario. SWM imports wines from major wine regions around the world and sells primarily to on-premise accounts in key markets and through LCBO Vintages stores.

On March 10, 2009, the Company changed the name of 4383814 Canada Inc. to Global Vintners Inc (“GVI”).

Effective October 1, 2009, the Company entered into an agreement to dispose of its ownership interests in GIB and MD to Creemore Springs Brewery Ltd. for proceeds of approximately \$26.2 million, \$25.0 million was received during the fiscal year ending March 31, 2010 and \$0.2 was received during the first quarter of fiscal 2011. The balance of the proceeds of approximately \$1.0 million is expected to be received on May 1, 2012. The transaction closed on May 1, 2010. The Company recorded an after tax gain on the sale of approximately \$11.9 million.

On May 25, 2010 the Company sold approximately 6 acres of vineyard in the Okanagan Valley to Burrowing Owl Vineyards Ltd for proceeds of approximately \$0.8 million. Proceeds were used to reduce bank indebtedness.

The Company continuously reviews its premium and ultra-premium portfolio of wines to ensure its brands are well positioned for growth in the growing Canadian wine industry. Marketing and sales support will be focused on key brands sold across the country and management expects sales and marketing expenses for fiscal 2011 to increase over fiscal 2010 levels. The Company will continue to invest in capital expenditure programs to support its ongoing commitment to producing the highest-quality wines. The Company will continue to evaluate investment opportunities, including acquisitions, which support its strategic direction.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **General**

As at March 31, 2010, the Company is Canada's second largest producer and marketer of wines, with leading brands in all segments of the market in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates*, *Trius*, *Hillebrand*, *Thirty Bench*, *Sandhill*, *Calona Vineyards Artist Series* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO* and *Croc Crossing*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal* and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, GVI, the recognized world leader in personal winemaking products. GVI distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, United States, United Kingdom, New Zealand and Australia. GVI's award-winning premium and ultra-premium winemaking brands include *Selection*, *Vintners Reserve*, *Island Mist*, *Kenridge*, *Cheeky Monkey*, *Ultimate Estate Reserve*, *Traditional Vintage* and *Artful Winemaker*. The Company owns and operates more than 100 well-positioned independent retail locations in Ontario under the *Vineyards Estate Wines*, *Aisle 43* and *WineCountry Vintners* store names. The Company also owns GWM based in Vancouver and SWM based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company's products are sold predominantly in Canada with a focus on export sales for its icewine products.

Thirty Bench Vineyard and Winery is a small estate winery that produces VQA wines under the *Benchmark* and *Reserve* brands.

Red Rooster winery is a small estate winery that produces brands under the *Red Rooster* label.

### **Business Strategy**

The Company is committed to a strategy of growth that focuses on expanding its core business as a producer and marketer of quality wines and wine kits through the development of strong brands that continually meet the needs of its customers and through the importing of bottled premium wines from around the world that are marketed through GWM and SWM. This strategy is supported by sophisticated sales, marketing, promotional and distribution programs as well as by an on-going review of opportunities in the market to launch new brands that meet the needs of customers. The Company will continue to explore opportunities in international markets to distribute its wines. In addition, the Company continues to seek out potential acquisitions that support its strategic direction and meet its growth and investment return criteria.

## Sales

The Company's net sales for the year ended March 31, 2010 were \$263.1 million. Net sales and percentage of sales by geographic region were as follows:

Geographic Region	2010		2009	
	\$ millions	%	\$ millions	%
Western Canada	93.2	36	88.2	35
Ontario	133.7	51	128.4	51
Québec	5.3	2	5.7	2
Atlantic Canada	16.5	6	15.1	6
Export	14.4	5	13.7	6
Total	263.1	100	251.1	100

The Company's net sales volume is seasonal with highest volumes in the third quarter. Net sales and percentage of sales by quarter were as follows:

Quarter	2010		2009	
	\$ millions	%	\$ millions	%
First	65.0	25	57.2	23
Second	67.0	26	65.8	26
Third	71.9	27	71.3	28
Fourth	59.2	22	56.8	23
Total	263.1	100	251.1	100

Comparative amounts have been adjusted to eliminate sales of GIB and MD for the years ending March 31, 2010 and 2009.

## Principal Products

As consumer tastes and demographics have changed, the Company has grown from its historical position as Canada's leading supplier of value-priced table and sparkling wines to become one of the leading suppliers of premium varietal wines, while maintaining its strength in the popular, value-priced category. The Company's award-winning VQA premium brands, marketed under the *Peller Estates*, *Hillebrand*, *Trius*, *Thirty Bench*, *Sandhill*, *Red Rooster* and *Calona Vineyards* labels are increasing their share in many Canadian markets. The Company's value varietal wine brands (a blend of international and Canadian wines) marketed under the *Peller Estates French Cross/Proprietors Reserve*, *XOXO* and *Copper Moon* are all growing more than the market. *Peller Estates French Cross/Proprietors Reserve* is Canada's largest selling wine brand.

In fiscal 2010, the Company broadened its offering of ultra-premium table wines with the launch of a number of new products. *Trius Brut Rosé* was added to the portfolio of sparkling wines. *Trius Brut Rosé* was launched to leverage the trend toward premium rosé by consumers. This sparkling rosé, which won the Best Sparkling Wine Award at Cuvée 2010, is a Cuvée of 53% chardonnay, 40% pinot noir and 7% pinot meunier and is produced in the méthode classique with hand harvested grapes that were whole bunch pressed. *Copper Moon* extended its franchise with the launches of *Pinot Grigio*, *Sauvignon Blanc*, *Shiraz* and *Merlot* in Ontario and larger sizes of these varietals in the West. *Copper Moon* is made with grapes harvested at night to increase the fruit flavour in the wine. *XOXO White Zinfandel Gamay* was presented as a seasonal listing to leverage the recent trend of increased consumption of rosé wines in the \$10 price range.

In British Columbia, the Company launched *Sandhill Small Lots Chardonnay* and *Merlot*. For both the single block chardonnay and the single block merlot, winemaker Howard Soon selected the fruit from a specific block on a specific vineyard that he felt delivered the highest intensity of flavours. The block selected for merlot, with its proximity to a rocky cliff and sandy soil, resulted in a full bodied rich wine with velvety tannins and a wonderful concentration of flavours including black cherry, black currant and blackberry complemented by rich vanilla extract and cocoa. The block selected for chardonnay is located on the northern end of the Sandhill Estate Vineyard nestled against a 400 foot granite cliff. This medium to full bodied wine has a rich feel in the mouth with flavours of cream, spice and tropical fruit. Both of these wines are receiving high accolades from the wine press.

During the past year, the Company was honoured with a number of prestigious awards at domestic and international wine competitions. *Sandhill* was named by Wine Access Magazine as Canada's 2009 Winery of the Year while *Sandhill Small Lot Syrah 2007* and *Small Lot Viognier 2008* won Best Red and White Wine of the Year. The *Thirty Bench* and *Hillebrand* wineries placed third and fourth, respectively in the Winery of the Year Award. *Peller Estates* received approximately 127 medals nationally during the year, while *Hillebrand* and *Trius* were awarded approximately 36 medals; *Sandhill* won 79 medals, *Thirty Bench* won 12 medals, *Calona Vineyards* 32 medals and *Red Rooster* 34 medals. Among the most prominent of the awards won during the year was a Gold Medal presented for the *Thirty Bench Riesling 2007* at the International Wine Challenge 2009, UK as well as a Silver Medal, Best in Class, at the 2009 International Wine and Spirit Competition in the UK. At the same competition, the Company won Silver awards for the *Peller Estates Signature Series Chardonnay "Sur Lie" 2007 (Best in Class)*, *Trius Icewine 2007*, *Peller Estates Vidal Icewine 2007*, *Peller Estates Oak Aged Icewine 2007*, *Peller Estates*

*Cabernet Franc Icewine 2007* and *Peller Estates Riesling Icewine 2007*. At the Concours Mondial de Bruxelles 2009 Silver medals were won by *Peller Estates Signature Series Chardonnay “Sur Lie” 2007*, *Trius Red 2007*, *Trius Chardonnay Barrel Fermented 2007* and *Thirty Bench Small Lot Riesling Triangle Vineyard 2007*. At the International Eastern Wine Competition *Trius Red 2007* won Double Gold and at the 2009 Effervescents du Monde *Ice Cuvée* won a Gold medal. At the 2009 Los Angeles International Wine Competition, the Company won Best in Class, Gold medals for *Andrew Peller Signature Series Niagara Peninsula VQA Oak Aged Icewine 2007* and *Andrew Peller Signature Series Niagara Peninsula VQA Riesling Icewine 2007*.

At the All Canadian Wine Championships *Peller Estates Ice Cuvée Rosé* won Double Gold and Best Sparkling Wine of the Year, *Trius Chardonnay Barrel Fermented 2007* won Double Gold while Gold medals were won by *Peller Estates Ice Cuvée*, *Peller Estates Private Reserve Rosé 2007* and *Hillebrand Showcase Chardonnay Wild Ferment 2007*. *Sandhill Small Lot Syrah 2007* and *Peller Estate Private Reserve Pinot Noir 2007* were successful in being recognized as 2 of the top 11 British Columbia wines selected to receive the Lieutenant Governor’s Award of Excellence for 2009. Our British Columbia wine portfolio also did well at the Grand Harvest Awards achieving Gold medals for *Calona Vineyards Artist Series Sovereign Opal 2008*, *Peller Estates Private Reserve Riesling 2008* and *Red Rooster Pinot Gris 2008*.

The Company has maintained its strength in the popular, value-priced category. *Hochtaler* and *Domaine D’Or* continued to hold their position as two of the top selling brands in Canada.

The Company continues to produce branded imported California wines sold under the *Franciscan* brand name. The wine has been building a reputation across the country for providing premium quality at an affordable price for over twenty years.

The Company also sold strong regional brands such as *Proprietors Reserve*, *Schloss Laderheim*, *Royal* and *Sommet*.

Sales of Canadian-made ice wine are permitted within the European Union, and the Company anticipates this sophisticated market will continue to respond well to its industry-leading *Peller Estates* products. Growth in the Pacific Rim has also been very encouraging for the Company. *Peller Estates* icewines are presently sold in 21 countries around the world.

The Company’s sparkling wine portfolio has positioned leading brands at all price points, covering the spectrum from value-priced sparkling wines such as the *Andrés Dry Canadian Champagne* brand to the premium, bottle fermented (méthode champenoise) *Trius Brut* and *Peller Ice Cuvée*.

The Company has continued to focus on consumer tastes and brand development. APL’s strong brands, in-depth understanding of the consumer and extensive distribution network enabled the Company to respond quickly with new and innovative offerings to an ever-changing marketplace. To help encourage consumers to try bag-in-the-box wine, *French Cross* launched two 2 litre mini bag-in-the-box wines in fiscal 2010. APL is testing research on a new package format for a fiscal 2011 launch.

The production process involves the preparation of product, packaging and shipping to customers. The nature of the process and the production inputs required vary by brand. The required production inputs include grape concentrate, grape juice, purchased grapes and grapes produced from APL owned vineyards and bulk wine purchased in Canada and international markets. The mix of required product inputs depends on the brand being produced. The finished product is packaged in glass bottles, bag-in-a-box, tetra paks and PET bottles. An integrated purchasing team is responsible for the procurement of ingredients for the entire APL brand portfolio.

The APL brand portfolio is distributed mainly through retailers of wine, beer and wine related products. In order to maximize market penetration for the Company’s brand portfolio, different trade channels are used to distribute wines to consumers. APL has sales representatives who specialize in selling wine through our retail stores including *Vineyards Estate Wines*, *Aisle 43* and *WineCountry Vintners*, in addition to selling wine to licensed restaurants, various liquor boards and to private wine kit retailers.

## **Trademarks**

The Company uses a number of significant trademarks which are owned by the Company or its subsidiaries. Significant trademarks of the Company include *Andrés Wines*, *Peller Estates*, *Peller Estates Ice Cuvée*, *Andrew Peller Signature Series*, *Hillebrand*, *Hochtaler*, *Domaine D’Or*, *French Cross*, *XOXO*, *Trius*, *Croc Crossing*, *Franciscan*, *Vineyards Estate Wines*, *Aisle 43*, *Round Petal Wines*, *Calona Vineyards*, *Sandhill*, *Copper Moon*, *Artist Series*, *Schloss Laderheim*, *Sommet*, *Thirty Bench*, *Red Rooster*, *Selection*, *Vintners Reserve*, *California Connoisseur*, *European Select*, *Bin 49*, *Winexpert*, *Wine Not*, *Heron Bay*, *Wine Kitz* and *Artful Winemaker*. Trademarks are important in the marketing and sale of wine and it is the Company’s policy to vigorously protect its trademarks. Trademarks are registered for periods of up to fifteen years.

## **Other Intangible Properties**

The Company has approximately 280 authorized retailer agreements in place relating to the distribution of home winemaking products across

Canada.

## Properties

The following table sets forth information regarding the Company's principal properties and wineries as at March 31, 2010.

<u>Location</u>	<u>Production Size</u>	<u>Use</u>	<u>Nature of Interest</u>	<u>Capacity</u> <sup>(2)</sup>
Port Moody, British Columbia <sup>(3)</sup>	81,700 sq. ft.	Winery & Offices	Owned <sup>(1)(3)</sup>	75,000
Port Coquitlam, British Columbia	20,000 sq. ft.	Wine Kit Production	Owned <sup>(1)</sup>	42,000
Port Coquitlam, British Columbia	25,925 sq. ft.	Warehouse, Office	Leased	N/A
Port Coquitlam, British Columbia	16,802 sq. ft.	Warehouse, Office	Leased	N/A
Vancouver, British Columbia	6,700 sq. ft.	Office	Leased	N/A
Vancouver, British Columbia (Granville Island)	3,000 sq. ft. 6,800 sq. ft.	Warehouse Brewery Retail Store	Leased Leased	N/A 2,000
Delta, British Columbia	12,000 sq. ft.	Warehouse – Distribution	Leased	N/A
Annacis Island, British Columbia	12,000 sq. ft.	Warehouse – Distribution	Leased	N/A
Oliver, British Columbia	100 acres	Vineyard	Owned <sup>(1)</sup>	N/A
Oliver, British Columbia	72 acres	Vineyard	Leased	N/A
Kelowna, British Columbia	160,000 sq. ft.	Winery & Office	Owned <sup>(1)</sup>	168,000
Kelowna, British Columbia	58,000 sq. ft.	Warehouse	Leased	N/A
Penticton, British Columbia	9,000 sq. ft.	Winery	Owned <sup>(1)</sup>	500
Cawston, British Columbia	75 acres	Vineyard	Owned <sup>(1)</sup>	N/A
Oliver, British Columbia	307 acres	Vineyard	Leased <sup>(4)</sup>	N/A
Stoney Creek, Ontario	111,852 sq. ft.	Warehouse	Leased	N/A
Grimsby, Ontario	141,000 sq. ft. on 26 acres	Winery & Offices	Owned <sup>(1)</sup>	137,000
Ontario - 102 retail stores, various locations	each retail store ranges from 180 sq. ft. to 1,000 sq. ft.	Retail	Leased	N/A
Ontario, Alberta, British Columbia 7 retail stores - franchised	each retail store ranges from 1,000 sq. ft. to 1,681 sq. ft.	Retail	Leased	N/A
Beamsville, Ontario	4,996 sq. ft. 70 acres	Winery, Retail Vineyard	Owned <sup>(1)</sup>	550
St. Catharines, Ontario	28,000 sq. ft.	Wine Kit Production	Owned <sup>(1)</sup>	24,000
St. Catharines, Ontario	45,000 sq. ft.	Warehouse	Leased	N/A
St. Catharines, Ontario	1,826 sq. ft.	Retail store	Leased	N/A
Markham, Ontario	35,371 sq. ft.	Warehouse	Leased	N/A
Niagara-on-the-Lake, Ontario (Peller Estates)	40,000 sq. ft. on 40 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned <sup>(1)</sup>	8,000
Niagara-on-the-Lake, Ontario (Hillebrand Estates)	53,000 sq. ft. on 34 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned <sup>(1)</sup>	8,000
Niagara-on-the-Lake, Ontario	70 acres	Vineyard	Owned <sup>(1)</sup>	N/A
Niagara-on-the-Lake, Ontario	100 acres	Vineyard	Owned <sup>(1)</sup>	N/A

Niagara-on-the-Lake, Ontario	40 acres	Vineyard	Owned <sup>(1)</sup>	N/A
Boucherville, Québec	2,612 sq. ft.	Office	Leased	N/A
Truro, Nova Scotia	49,500 sq. ft.	Winery and Offices	Owned <sup>(1)</sup>	36,000
Columbus, Ohio	2,675 sq. ft.	Retail	Leased	N/A

<sup>(1)</sup> Company owned properties have been provided as security for the Company's loan facilities.

<sup>(2)</sup> All production capacities reflect hectolitres.

<sup>(3)</sup> The Port Moody location was closed during December 2005 and is being held for redevelopment.

<sup>(4)</sup> The planting of the vineyard occurred during fiscal 2008 and 2009.

## Raw Materials

The Company purchased its raw materials, including grapes, wine, juice, malt, barley, hops, glass bottles and other packaging materials, from a wide range of suppliers throughout the world.

In Ontario and British Columbia, grapes are purchased from a number of growers under supply contracts with the Company which range in length from one year to thirty years. In Ontario, the Company is required to purchase grape tonnage to meet minimum legal requirements. In Ontario, grape prices are negotiated annually between Ontario based producers and the Grape Growers' Marketing Board, while in British Columbia, grape prices are negotiated annually between the Company and individual growers. Grapes purchased in Ontario and British Columbia are used primarily for the Ontario and British Columbia markets, respectively.

In November 1997, the Company purchased 210 acres of prime grape-growing land in Niagara-on-the-Lake that has been developed with premium classical European ("vinifera") grape varieties such as Merlot, Cabernet Sauvignon and Cabernet Franc. In 2000, the Company developed a 75 acre vineyard in Cawston, B.C. in which it had a 50% equity interest. On June 13, 2008, the Company purchased the remaining 50% interest in the vineyard. The Company's acquisition of Thirty Bench winery included 70 acres of some of the most highly regarded vineyards on the Beamsville Bench area of the Niagara region. The acquisition of Cascadia included 172 acres of vineyards in the Okanagan Valley area of British Columbia. In November 2006, the Company leased 307 acres of prime grape growing land in the Okanagan Valley in British Columbia. The lease has a term of 30 years, expiring on October 31, 2036. Site preparation began during 2006 with planting occurring during 2007 and 2008. The Company's investment in vineyards helped to ensure the highest quality and consistent supply of grapes grown in Canada. Niagara-on-the-Lake, the Beamsville Bench and the Okanagan and Similkameen Valleys in British Columbia are four of the best locations in the world for the production of premium vinifera grapes.

The Company has entered into a number of contracts with over 75 grape growers in Ontario and British Columbia to ensure the continuing supply of grapes grown in Canada. The contracts are generally for a term of five to fifteen years and mature at varying times to 2023. The commitments to purchase grapes grown in Canada are approximately \$20 million per year.

To complement grapes purchased in Ontario and British Columbia and to meet consumer demand in all regions of the country, the Company purchased wine, juice and concentrate from suppliers throughout the world, primarily in Chile, California, Australia, Italy and France. The Company has entered into contracts with Casa Girelli in Italy, ASV Wines, Delicato Family Vineyards and O'Neill Vintners and Distillers in California, Kingston Estate Wines in Australia, Empresas Lourdes S.A. in Chile and other foreign suppliers to supply imported wine, juice and concentrate. The contracts set out the terms and conditions and quantities of wine sold to the Company for delivery in 2011 to 2012.

The Company utilized various packaging materials, including glass bottles, bag-in-the-box, barrels, tetra paks, kegs, corks, capsules, labels and cartons, in the bottling and packaging of its wines and beer. Glass bottles represented a significant component of the total cost of goods sold. The Company had entered into an agreement with O-I Canada Corp. on March 31, 2007, to purchase the majority of its glass requirements. The contract commits APL to purchase certain minimum quantities and types of glass. The contract is for a period of three years and expired on March 31, 2010. The Company is currently working towards the completion on a one year agreement that would expire on March 31, 2011. APL has entered into glass contracts with Waterloo Containers and Saxco Canada Co. to provide additional sources of domestic glass. The Company has also taken steps to reduce its dependence on this supplier through the development of relationships with international producers of glass and through the carrying of increased inventories of selected bottles.

On the whole the Company considers its sources of supply to be adequate.

## Other Principal Contracts

### RBC Credit Facilities

On November 9, 2009 the Company modified the term of its operating facility. The operating facility is comprised of the Royal Bank of Canada, the Toronto Dominion Bank and Rabobank Nederland for a term of one year in the amount of \$75.0 million with interest at the Royal Bank of Canada prime lending rate plus 2.75%.

### BMO Credit Facilities

On January 26, 2010, the Company modified its existing term facility with the Bank of Montreal (“BMO”). The term loan requires monthly principal payments of \$0.4 million plus interest and matures on April 30, 2015. The Company has entered into an interest rate swap which effectively fixes the interest rate on the facility at 5.64%. Under the terms of the facility, the Company currently pays an interest premium of 0.95% based on certain leverage ratios and a funding premium of 1.05% which is negotiated annually.

#### Foreign Exchange Contracts

As at March 31, 2010, the Company held \$2.55 million euro denominated foreign exchange forward contracts at an average rate of €1.439 and \$16.0 million in U.S. dollar denominated foreign exchange forward contracts at an average rate of approximately \$1.03 expiring at various dates during fiscal 2010. Subsequent to the end of the year, the Company purchased \$5.0 million in U.S. dollar denominated foreign exchange contracts at an average rate of \$1.01 expiring at various dates during fiscal 2011.

#### Retail Store Leases

The Company has operating leases in place for its network of 102 *Vineyards Estate Wines, Aisle 43* and *WineCountry Vintners* retail store locations. These leases have terms that range from one year to ten years in length. The Company also has 7 operating leases for certain *Wine Art* and *Wine Kitz* franchised retail store locations that have lease terms up to six years.

#### Okanagan Valley Lease

On November 1, 2006, The Company entered into a 30 year lease with Covert Farms Ltd. for 307.1 acres of land in the Okanagan Valley in British Columbia. The lease expires on October 31, 2036.

#### Employees

As at March 31, 2010 the Company had a total of 1,222 employees, of whom 109 full and part-time employees were covered by union contracts and 495 were full or part-time employees of *Vineyards Estate Wines, Aisle 43* and *WineCountry Vintners* chain of retail stores.

The Company has 99 employees covered by union contracts in Kelowna, British Columbia and 10 by a union contract in Vancouver, British Columbia. Both locations are covered by a contract with the Brewery, Winery and Distillery Workers, Local 300. The Kelowna contract expired on May 31, 2010 and the Vancouver contract expires on May 31, 2011. The Company anticipates it will be able to successfully negotiate new contracts upon their expiry.

#### Competition

The wine industry in Canada is intensely competitive based on quality, price, brand recognition and distribution and the Company competes with a large number of domestic and international wine producers. The Company’s competitors range in size from large, well established national and multi-national corporations to small “farm gate” wineries that are limited to selling only wine produced from vineyards owned or controlled by the winery. The Company competes on the basis of providing value through a balance of quality and price, brand recognition, and distribution.

The Company is the second largest winery in Canada with a market share of wine sales in Canada, excluding wine coolers and ciders, of 12.7% as at March 31, 2010. The Company’s significant domestic competitors in Canada are Vincor Canada (a division of Constellation Brands), and Mission Hill.

#### Regulation

The business of the Company is extensively regulated by provincial legislation which governs the manufacture and sale of beverage alcohol. Provincial liquor authorities issue licences for the manufacture and sale of beverage alcohol in each province. In addition, provincial regulations govern the pricing, packaging, labelling, advertising, production and distribution of products manufactured by licensed wineries, breweries and distilleries. The Company is in compliance in all material respects with provincial legislation that regulates the manufacture and sale of beverage alcohol. The Company is in material compliance with all provincial and federal legislation relating to environmental regulations.

The Province of Ontario introduced, as part of the harmonized sales tax, a discriminatory tax in the form of a special levy, effective July 1, 2010, on CIC wine that is sold through private retail stores in Ontario. CIC is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wine that is sold through the LCBO will not incur any additional taxation. The special levy will put pressure on gross profit, on domestic grape prices and will negatively impact future domestic grape purchases. The Company estimates that the cost of the levy, on an annual basis, will amount to approximately \$4.3 million.

#### Risks and Uncertainties

The Company’s sales of wine are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence in future economic conditions, tax laws and the prices of its products. A steep and sustained decline in economic growth may cause a lower demand for the Company’s products. Such general economic conditions could impact the Company’s sales through the Company’s estate wineries and restaurants, direct sales through licensed establishments and export sales through duty free shops. The Company believes that these effects would likely be temporary and would not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export subsidies. In addition, many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify these unfair trade practices.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of retailers or consumers to purchase competitive products instead of the Company's products. Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by purchasing, financing, operational, advertising or promotional decisions made by provincial agencies and retailers which could affect supply of or consumer demand for, the Company's products. The Company could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising or promotional expenditures to maintain its competitive position.

The Company expects to increase its sales of the premium wines in Canada, principally through the sale of VQA wines, and as a result is dependent on the quality and supply of domestically grown premium quality grapes. If any of APL's vineyards experience certain weather variations, natural disasters, pestilence, other severe environmental problems or other occurrences, APL may not be able to secure a sufficient supply of grapes and there could be a decrease in our production of certain products from those regions and/or an increase in costs. In the past, where there has been a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Ontario Grape Growers Marketing Board, has agreed to temporarily increase the blending of imported wines, which would enable the Company to continue to supply products to the market. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to our customers. The Company has developed programs to ensure it has access to a consistent supply to premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases by the Company of bulk wine and concentrate that are made in United States dollars. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and regularly reviews its ongoing requirements. The Company has entered into a series of foreign exchange contracts as a hedge against movements in U.S. dollar and Euro exchange rates. The Company does not enter into foreign exchange contracts for trading or speculative purposes. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has a \$0.2 million impact on the Company's net earnings.

The Company purchases glass, bag-in-the-box, tetra paks, kegs, and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

The Company operates in a highly regulated industry, with requirements regarding the production, distribution, marketing, advertising and labelling of wine. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL's business strategies and results of operations. The Company is currently reviewing its labelling on cellared in Canada wines. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The wine industry and the domestic and international market, in which the Company operates, are consolidating. This has resulted in fewer, but larger, competitors who increase their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures, resulting in potentially lower revenues. Competition also exerts pressure on existing customer relationships, which may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increased pricing to increase gross profit and implemented a higher level of promotion and advertising activity to combat these initiatives. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty and shelf space. No assurance can be given that consumer demand for wine, and premium wine products, will continue at current levels in the future.

The Company has experienced increases in energy costs, and further increases in the cost of energy would result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins are dependent on its ability to manage the impact of

cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Federal and provincial governments impose excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage.

New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom, in part due to an international grape surplus. This international grape surplus, principally in Australia, Chile and Argentina and high inventories of French wine, could serve to continue the discounting of wine in international markets. The Company has responded by increased promotional and advertising spending to strengthen the performance of its brands. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. The Company relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be limited.

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands, could adversely affect their sales. Contaminants in raw materials purchased from third parties and used in the production of the Company's products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company's brands.

#### **DIVIDEND POLICY**

The Company's Class A shares (non-voting) ("Class A shares") are entitled to a dividend in an amount equal to 115% of any dividends paid or declared on Class B shares (voting) ("Class B shares"). The present quarterly dividend rates of 8.250 cents per Class A share and 7.200 cents per Class B share were approved by the Board on June 3, 2009 and were payable beginning on July 10, 2009. The dividend rate of 7.500 cents per Class A share and 6.525 cents per Class B share were established with the quarterly dividend payable on October 10, 2007. Prior to that date the quarterly dividend rates were 6.325 cents per Class A share and 5.500 cents per Class B share. The Company's dividend payments are reviewed annually by the board of directors. There are no restrictions preventing the Company from paying dividends.

#### **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized share capital of the Company consists of an unlimited number of Preference Shares, issuable in one or more series, of which 33,315 are designated as Preference shares, Series A, an unlimited number of Class A shares and an unlimited number of Class B shares. The only classes of shares of APL that are issued and outstanding are Class A shares and Class B shares. The only shares of the Company which are entitled to vote on matters set out in the notice of meeting of security holders are the Class B shares. On March 31, 2010 the Company had outstanding 3,004,041 Class B shares without nominal or par value, each carrying the right to one vote per share, and 11,888,241 Class A shares. Neither the Class A shares nor the Class B shares may be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same manner and

in the same proportion. In the event of liquidation, dissolution or a winding-up of the Company, all of the Company's property and assets available for distribution to the holders of Class A shares and Class B shares shall be paid or distributed equally, share for share, to the holders of Class A shares and Class B shares, respectively. In the event a takeover bid is made for Class B shares, the holders of Class A shares have no right to participate on such takeover bid.

As described above, Class A shares are non-voting securities and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting securities and convertible into Class A shares on a one-for-one basis.

## MARKET FOR SECURITIES

The Class A shares (stock symbol "ADW.A") and Class B shares (stock symbol "ADW.B") are listed and posted for trading on the Toronto Stock Exchange.

The monthly volume of trading and price ranges of the Class A shares and Class B shares on the Toronto Stock Exchange over fiscal 2010 are as follows:

<u>Class A shares (non-voting)</u>				<u>Class B shares (voting)</u>			
<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2009</b>	\$	\$		<b>2009</b>	\$	\$	
April	7.60	6.38	67,894	April	10.20	10.20	0
May	7.65	7.10	50,918	May	10.20	10.20	0
June	7.98	7.30	66,389	June	10.20	10.20	0
July	8.25	7.29	68,902	July	9.50	9.00	1,800
August	8.69	7.75	61,183	August	9.50	9.01	350
September	8.99	8.00	106,985	September	9.24	9.24	100
October	8.19	7.42	124,292	October	11.00	9.43	2,241
November	8.40	7.80	111,941	November	9.80	9.80	100
December	7.92	7.28	97,813	December	9.80	9.80	800
<b>2010</b>				<b>2010</b>			
January	7.92	7.01	79,220	January	9.80	9.80	0
February	8.24	6.94	123,440	February	9.51	9.49	424
March	8.25	6.01	71,362	March	10.00	9.99	600

Note: All of the above numbers reflect appropriate adjustment to account for the 3:1 share split which took place on October 31, 2006.

## DIRECTORS AND OFFICERS

The names, provinces of residence and principal occupation of the directors of the Company and the period during which each director has served on the Board of Directors are as follows:

<u>Name and Province of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
MARK W. COSENS <sup>(1)(2)</sup> Ontario, Canada <i>Kilbride Capital Partners is a private management advisory firm.</i>	Managing Director Kilbride Capital Partners	2001
LORI C. COVERT Ontario, Canada	Marketing Consultant	1993
C. WILLIAM DANIEL, O.C. <sup>(2)(3)</sup> Ontario, Canada	Corporate Director	1991
RICHARD D. HOSSACK, PhD <sup>(1)(2)(3)</sup> Ontario, Canada	Corporate Director Former President & Senior Partner <i>Delta Oliver Wyman Limited</i>	2004
A. ANGUS PELLER, M.D. Ontario, Canada <i>Medcan Health Management Inc. is a health management company.</i>	Director of Medcan Wellness Program, Senior Medical Consultant Medcan Health Management Inc.	1991
JOSEPH A. PELLER, M.D., F.R.C.P.(C) Ontario, Canada	Chairman of the Board Andrew Peller Limited	1966
JOHN E. PELLER Ontario, Canada	President and Chief Executive Officer Andrew Peller Limited	1989

JOHN F. PETCH, Q.C. <sup>(2)</sup> Ontario, Canada	Vice Chairman of the Board Andrew Peller Limited Chair Board of Governors, University of Toronto Barrister and Solicitor.	1998
---	--	------

*Osler, Hoskin & Harcourt LLP is a law firm.*

BRIAN J. SHORT <sup>(1) (3)</sup> Ontario, Canada	Corporate Director Former Sr. Vice President and CFO Dover Industries Limited	2003
--	---	------

- <sup>(1)</sup> Member of Audit, Finance and Risk Committee
- <sup>(2)</sup> Member of Human Resources and Governance Committee
- <sup>(3)</sup> Member of Pension Committee

The term of office of each director expires at the next annual meeting or when their successors are elected.

## **Officers Who Are Not Directors**

The names and provinces of residence of the executive officers of the Company who are not directors and the position and principal occupation of each of them with the Company are as follows:

<b><u>Name and Province of Residence</u></b>	<b><u>Principal Occupation</u></b>
GREGORY J. BERTI Ontario, Canada	Vice President, Estate Wines (Eastern Canada) and Global Markets
ANTHONY M. BRISTOW Ontario, Canada	Chief Operating Officer
JAMES H. COLE Ontario, Canada	Vice President, Retail Division
SCOTT D. FRASER British Columbia, Canada	Vice President, Estate Wines (Western Canada)
SHARI A. NILES Ontario, Canada	Executive Vice President, Marketing
PETER B. PATCHET Ontario, Canada	Chief Financial Officer and Executive Vice President, Human Resources
ROBERT P. VAN WELY Ontario, Canada	President, Winexpert and Vineco International Products
BRENDAN P. WALL Ontario, Canada	Executive Vice President, Operations
J. CHRISTOPHER ZARAFONITIS Ontario, Canada	Executive Vice President, Sales

There are no existing or potential conflicts of interest between any director or officer of the Company or its subsidiaries and the Company and its subsidiaries. There are no cease trade orders (or similar orders) involving any director or officer and there are no other penalties, sanctions, insolvency or bankruptcy proceedings outstanding. During the past five years, each of the officers of the Company has had the same or similar principal occupation with the Company or the organization indicated, except: Mr. Wall who, prior to May, 2007 was Vice President of Operations and Industrial Sales at Gay Lea Foods and Mr. Cole, who prior to September, 2009 was Director, Retail Division.

The directors and executive officers of APL as a group beneficially own, or control or direct, directly or indirectly, 1,999,434 Class B shares, being approximately 66.6% of the issued and outstanding Class B shares of the Company.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company's Class A shares (non-voting) and Class B shares (voting) is Computershare Investor Services Inc. with its head office in Toronto where the registers of transfers for the Company's securities are located.

## INTERESTS OF EXPERTS

The audited financial statements of the Company for the year ended March 31, 2010 filed with the Canadian securities administrators are audited by PricewaterhouseCoopers LLP, Chartered Accountants. PricewaterhouseCoopers LLP has reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

## REPORT OF THE AUDIT COMMITTEE

The text of the Audit, Finance and Risk committee's charter is attached as Schedule "A" to this AIF.

The Audit, Finance and Risk Committee (the "Audit Committee") is composed entirely of independent directors. The three members of the Audit Committee are Brian J. Short (Chairman), Mark W. Cosens and Richard D. Hossack. All members of the Audit Committee are considered by the Board to be financially literate by way of their business experience and educational background. The following is a brief summary of the education and experience that is relevant to the performance of their responsibilities as Audit Committee members:

### Audit Committee Member

### Relevant Education and Experience

Brian J. Short	Mr. Short recently retired as the Senior Vice-President and Chief Financial Officer of Dover Industries Limited. Mr. Short holds a Bachelor of Arts degree from Waterloo Lutheran University.
Mark W. Cosens	Mr. Cosens is a Managing Director at Kilbride Capital Partners and a former Managing Director of Korn/Ferry International, specializing in industrial, energy and financial services. Prior to joining Korn/Ferry International, Mr. Cosens held several positions in the investment and commercial banking industry. Mr. Cosens holds a Bachelor of Arts in Economics from the University of Western Ontario and an LLB from Osgoode Hall Law School.
Richard D. Hossack	Richard Hossack recently retired from his role as President and Senior Partner of Delta Oliver Wyman in Canada. He holds a Ph.D. in Organizational Behavior from the Fielding Graduate Institute, an MBA in Finance from the University of Toronto and a B.Comm. in accounting and economics and a BsC. in mathematics and physics, both from the University of Manitoba. He was formerly a senior partner in both Coopers & Lybrand and in PricewaterhouseCoopers consulting groups.

## Pre-Approval Policies

The Audit Committee has adopted the following policies and procedures for the engagement of non-audit services. The Audit Committee will pre-approve all audit and non-audit services provided by the auditors. This is accomplished through the Audit Committee's recommendation to the holders of Class B shares on the approval of the appointment of the auditors at the Company's annual meeting and through the Audit Committee's review of the auditors' annual audit plan. Periodically, the Audit Committee will update an agreed list of pre-approved services that are recurring or otherwise reasonably expected to be provided. Any additional requests for pre-approval will be addressed on a case-by-case basis to the Audit Committee. The engagement may commence upon approval by a quorum of the full Audit Committee.

## External Auditor Service Fees

The table below provides disclosure of the services provided and fees earned by the Company's external auditor over the Company's two most recently completed fiscal years:

Type of Services	Fees – Fiscal 2010	Fees – Fiscal 2009
Audit fees	\$294,000	\$324,300
Audit-related fees	<u>\$31,500</u>	<u>\$24,200</u>
Sub-total	\$325,500	\$348,500
Other services	\$92,617	145,400
Tax fees	<u>\$71,550</u>	<u>\$87,150</u>
Total	<u>\$489,667</u>	<u>\$581,050</u>

All recommendations of the Audit Committee to compensate the external auditor in fiscal 2010 and fiscal 2009 have been adopted.

## Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements as well as

services provided in connection with statutory and regulatory filings.

### **Audit-related Fees**

Audit related services were paid for assurance and related services that were reasonably related to the performance of the audit, review of the annual financial statements or support provided for assistance in completion of the Companies compliance with National Instrument 52-109 and are not reported under the audit services category above. These services consist of audit of pension plans and quarterly meetings with management.

### **Tax Fees**

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of reviewing tax returns and assisting in responses to government tax authorities.

### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and principal holders of the Company's securities is contained in the Company's Management Information Circular dated July 31, 2010. None of the directors, officers, 10% (or more) shareholders of the Company, or any of their respective associates or affiliates, have had, within the past three most recently completed financial years, or during the current fiscal year, a material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Company. Additional financial information, including audited comparative consolidated financial statements for the year ended March 31, 2010 and related Management's Discussion and Analysis ("MD&A") is provided in the Annual Report to Shareholders. This and other information related to the Company can be accessed through SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE "A"

### CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE OF THE BOARD OF DIRECTORS OF ANDREW PELLER LIMITED

#### **Purpose**

The primary purpose of the audit committee (the "Audit Committee") of the board of directors (the "Board") of Andrew Peller Limited (the "Corporation") is to assist the Board of Directors in fulfilling its oversight responsibilities for the Corporation's internal control and management information systems; reviewing the quarterly financial statements and managements' discussion and analysis prior to their release and recommend their approval to the Board; reviewing the annual audited financial statements and managements' discussion and analysis prior to their release and recommend their approval to the Board; reviewing accounting and auditing developments and meeting with both financial and accounting personnel and the external auditors on issues relevant to the Corporation; reviewing the Corporation's policies and practices relating to insurance coverage, foreign exchange and interest rate hedging and, reviewing and assessing the qualifications, independence and performance of the Corporation's auditors.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices.

#### **Approval of Charter**

This Audit Committee charter requires approval by the Board.

Future changes to this charter require approval by the Board based on the recommendation of the Audit Committee.

#### **Structure and Composition**

The Audit Committee shall consist of no fewer than three members from among the Board.

Each member of the Audit Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Audit Committee; and meet the independence and experience requirements of the Toronto Stock Exchange and all applicable rules and regulations in Canada relating to corporate governance and audit committee matters, including Multilateral Instrument 52-110 (the "Regulations").

All members of the Audit Committee must be "financially literate" as such term is defined by the Regulations. The Board shall make determinations as to whether each member of the Audit Committee satisfies this requirement. The members of the Audit Committee shall be appointed by the Board annually on the recommendations of the Human Resource and Governance Committee or until successors are duly appointed.

The Board shall normally designate the Chair of the Audit Committee. In the event that a Board designation is not made, the members of the Audit Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting.

Once appointed, Audit Committee members shall cease to be a member of the Audit Committee only upon:

- (i) resignation from the Board
- (ii) death
- (iii) disability
- (iv) not being re-appointed pursuant to the appointment process described above.

#### **Meetings**

The Audit Committee shall meet at least quarterly and more frequently as circumstances dictate.

A majority of Audit Committee members are required for meeting quorum. In the event that the number of Audit Committee members is an even number, one half of the number of members shall constitute a quorum.

The Audit committee shall meet at least annually with management, and the Corporation's auditor in separate committee sessions.

The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet or provide consultations to the Audit Committee or any member thereof.

The CEO, and the CFO and Executive Vice-President Human Resources of the Corporation and representatives of the independent auditors shall normally attend meetings of the Audit Committee. Others may also attend meetings as the Audit Committee may request. Notice of all meetings of the Audit Committee shall be sent to the Auditors as well as Audit Committee members.

## **Resolutions**

Resolutions of the Audit Committee shall require approval by a simple majority of members voting on such resolution. The Chair of the Audit Committee shall not have a deciding vote in the case of a tie.

## **Responsibilities and Duties**

### **i) Minutes and Reporting to the Board**

The Audit Committee shall prepare written minutes of all meetings. In addition, the Chair of the Committee or designate shall report to the Board of Directors after each meeting the significant matters addressed by the Committee at such meeting and a copy of the minutes shall be made available to all members of the Board. The Audit Committee shall make regular reports to the Board, but not less frequently than quarterly.

### **ii) Independent Auditor**

With respect to the Corporation's independent auditor the Audit Committee shall:

- be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between financial management and the external auditor regarding financial reporting
- have sole authority to recommend to the Board the appointment or replacement of the independent audit or (subject to shareholder approval)
- recommend to the Board the compensation of the independent auditor
- have the independent auditor report directly to the audit Committee
- determine the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results
- meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit
- approve the selection of the senior audit partners having primary responsibility for the audit and the audit partner responsible for reviewing the audit
- at least on an annual basis, evaluate the qualifications, performance and independence of the independent auditor and the senior audit partner having primary responsibility for the audit
- obtain and review a report from the independent auditor at least annually regarding:
  - (i) the independent auditor's internal quality-control procedures,
  - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or raised by any inquiry or investigation by government or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm,
  - (iii) any steps taken to deal with any issues, and
  - (iv) all relationships between the independent auditor and the Corporation
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor.
- pre-approve all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Corporation or its subsidiaries by its independent auditor.

### **iii) Financial Reporting**

With respect to the Corporation's reporting of unaudited quarterly financial results, the Audit Committee shall:

- Prior to their public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
  - press release
  - consolidated financial statements and notes thereto
  - management's discussion and analysis

- results of any independent auditor’s review requested/approved by the committee
- review the Corporation’s unaudited quarterly financial results
- recommend to the Board whether the unaudited quarterly financial statements of the Corporation should be approved by the Board

**iv) Year-End Audit**

With respect to the Corporation’s annual audit, the Audit Committee shall:

- Prior to their public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
  - financial statements and notes thereto for consolidated and separate entities
  - management’s discussion and analysis
  - results of the independent auditor’s audit
  - notice of annual meeting of Shareholders
  - annual information form
  
- The review of the Corporation’s audited financial results, shall include:
  - any significant judgements (e.g. estimates and reserves) made in the preparation of financial statements
  - any significant disagreements among management and the independent auditors in connection with the preparation of financial statements
  - the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented
  - significant financial reporting issues and judgements made in connection with the preparation of the Corporation’s financial statements, including any significant changes in the Corporation’s selection or application of accounting principles, any major issues as to the adequacy of the Corporation’s internal controls and special steps adopted in light of material control deficiencies
  - the Corporation’s use of “pro forma” or “adjusted” non-GAAP information
  - critical accounting policies and practices
  - review of alternative treatments of financial information in all cases, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
  - any written communications between the independent auditor and management (e.g. management letters, schedule of unadjusted differences)
  - the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements
  - management certifications of reports filed by the Corporation pursuant to the Regulations
  - integrity of the Corporation’s financial reporting processes
  - any correspondence with regulators or government agencies and any published reports which raise material issues regarding the Corporation’s financial statements or accounting policies
  - results of the independent auditor’s audit
  - discussions with the independent auditor regarding significant adjustments, management judgements and accounting estimates, significant new accounting policies, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management
  - a verbal and/or written report, as appropriate, from the independent auditors describing
    - (i) all critical accounting policies and practices to be used
    - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors and
    - (iii) other material communications between the independent auditors and management, such as the annual management letter or schedule of unadjusted differences
  
- Recommend to the Board whether the audited consolidated financial statements of the Corporation should be approved by the Board

**v) Annual Proxy Statement and Regulatory Filings**

The Audit Committee shall:

- issue any reports required of the Audit Committee to be included in the Corporation’s annual proxy statement
- review and recommend to the Board the approval of all material documents filed with securities regulatory agencies including:
  - Consolidated Year-end Financial Statements
  - Annual Information Form
- satisfy itself that the adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the documents referred to above, and periodically assess the adequacy of those procedures

**vi) Related Party Transactions and Off-Balance Sheet Structure**

The Audit Committee shall:

- Review all related-party transactions including those between the Corporation and its officers or directors and, if deemed appropriate, recommend approval of any particular transaction to the Board.
- Review any material off-balance sheet structures, which the Corporation is a party to.
- Review the audited financial statements for the Corporation’s pension plans and the costs and obligations of such plans annually.

**vii) Internal Controls, Risk Management and Legal Matters**

The Audit Committee shall:

- consider the effectiveness of the Corporation’s internal controls over financial reporting and related information technology security and control including the process to communicate such controls and roles and responsibilities.
- satisfy itself that adequate procedures are in place for the review of the issuer’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the public disclosure referred to above, and will periodically assess the adequacy of those procedures.
- discuss with management the Corporation’s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation’s risk assessment and risk management policies including the use of derivative financial instruments. Areas to be considered in this respect include:
  - insurance coverage
  - foreign exchange exposure
  - interest rate exposure
- review with management, and if necessary, the Corporation’s counsel on a quarterly basis:
  - any legal matter which could reasonably be expected to have a material impact on the Corporation’s financial statements or accounting policies, and
  - the status of all material law suits

**viii) Capital Structure, Investment and Cash Management Policies, Disclosure Policy**

The Audit Committee shall:

- review and recommend to the Board whether any changes to the Corporation’s capital structure should be approved
- review and approve the Corporation’s investment and cash management policy
- review and approve the Corporation’s disclosure policy

**ix) “Whistle Blower” and Related Procedures**

- The Audit Committee shall oversee the establishment of procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and for the confidential and/or anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. The identity of any person making a submission on a confidential basis shall be revealed, at a minimum, to the Chair of the Audit Committee. The identity of any such person, however, will otherwise be treated as confidential. The Committee shall also be provided with such evidence as it requests to confirm that no disciplinary action has been taken against such person.
- Management shall report to the Audit Committee on a timely basis all discovered incidents of fraud within the Corporation, regardless of monetary value.

**x) Review of Charter and Self Assessment**

The Audit Committee shall:

- Review and reassess annually the adequacy of this Charter.
- Review annually the Audit Committee's own performance.

**xi) Corporate Knowledge and Other Activities**

The Audit Committee shall:

- Strive to expand continually its knowledge of the Corporation's activities.
- Carry out such other activities consistent with this Charter, the Corporation's by-laws and governing law, that the Audit Committee or the Board deem necessary or appropriate.

**Other Advisors**

The Audit Committee shall have the authority to retain independent legal, accounting or other advisors including consulting with the national office of the independent auditor. The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

**Limitations on Committee's Duties**

While the Audit Committee has the responsibilities and power set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management and/or the independent auditor.

In discharging its duties, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Corporation.